

PUBLIC DISCLOSURE

MARCH 19, 2002

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

HAVERHILL CREDIT UNION

427 MAIN STREET
HAVERHILL, MASSACHUSETTS 01830

DIVISION OF BANKS
ONE SOUTH STATION
BOSTON, MA 02110

<p>NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p>
--

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires the Division of Banks (Division) to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of **HAVERHILL CREDIT UNION** prepared by the Massachusetts Division of Banks, the institution's supervisory agency.

INSTITUTION'S CRA RATING: This institution is rated "Satisfactory".

A CRA rating of "Satisfactory" is assigned. An institution in this group has a satisfactory record of ascertaining and helping to meet the credit needs of its entire assessment area, including low and moderate-income individuals, in a manner consistent with its resources and capabilities.

The credit union's average net loan-to-deposit (share) ratio for the previous four semi-annual periods was 42.5 percent and meets the standards for satisfactory performance at this time.

Lending within the assessment area is considered to meet the standards of satisfactory performance.

An analysis of the credit union's lending activity by borrower income revealed that a good percentage of consumer loans was granted to low and moderate-income members. A rating of meets satisfactory performance was granted for this criterion.

The credit union's fair lending performance is also considered to meet the standards of satisfactory performance.

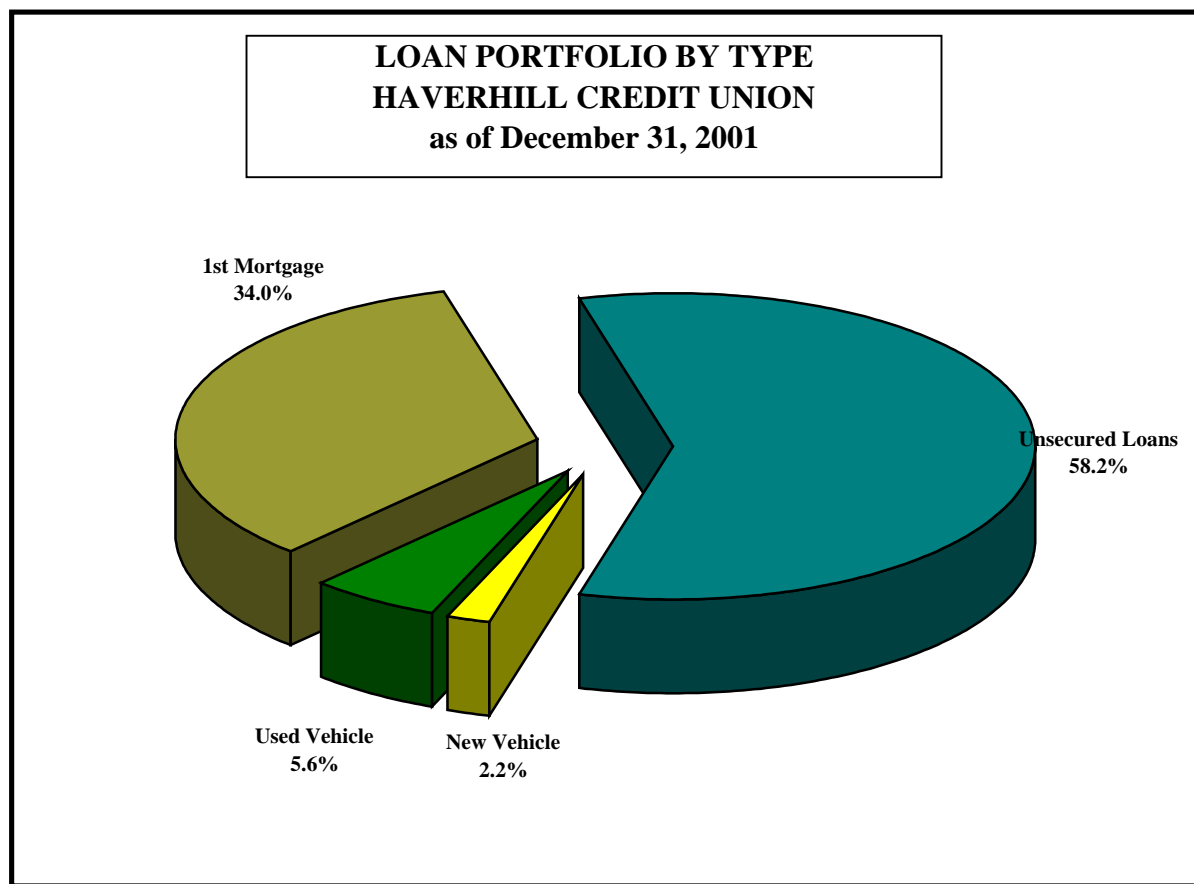
PERFORMANCE CONTEXT

Description of Institution

Haverhill Credit Union is a state-chartered institution headquartered at 427 Main Street in Haverhill, Massachusetts. The credit union was established to promote savings among its members and the availability of credit to its membership. Although a community credit union, Haverhill Credit Union is member-oriented and is committed to ascertaining and meeting the credit needs of all its members.

As of December 31, 2001, the institution had total assets of \$1.8 million with total loans representing \$671,000 or 37.3 percent of total assets. The credit union is predominantly a consumer lender with 58.0 percent of its loans representing unsecured personal loans.

The graph below depicts the composition of the credit union's loan portfolio based on the NCUA Call Report of Condition.



NCUA Call Report

The credit union's staff is comprised of one part-time employee who is the credit union's bookkeeper. Office hours are Monday evenings from 5:00 p.m. to 8:00 p.m. However,

members can contact the credit union's president at any time and there is an answering machine with a facsimile available.

There appears to be no significant financial or legal impediment, which would limit the credit union's ability to help meet the credit needs of its assessment area other than its small asset size and limited resources.

The credit union was last examined for compliance with the Community Reinvestment Act by the Division of Banks on April 16, 1998. That examination resulted in a Satisfactory rating.

DESCRIPTION OF ASSESSMENT AREA

The Haverhill Credit Union has defined its assessment area as the City of Haverhill and contiguous towns pursuant to the provisions outlined within the credit union's by-laws which state: " Membership in this corporation is open to any individual wishing to deposit into a shares account; not based upon race, ethnicity or sex; who resides and/or is employed in Haverhill and contiguous towns surrounding Haverhill." The location of the credit union places it within the Lawrence Metropolitan Statistical Area (MSA).

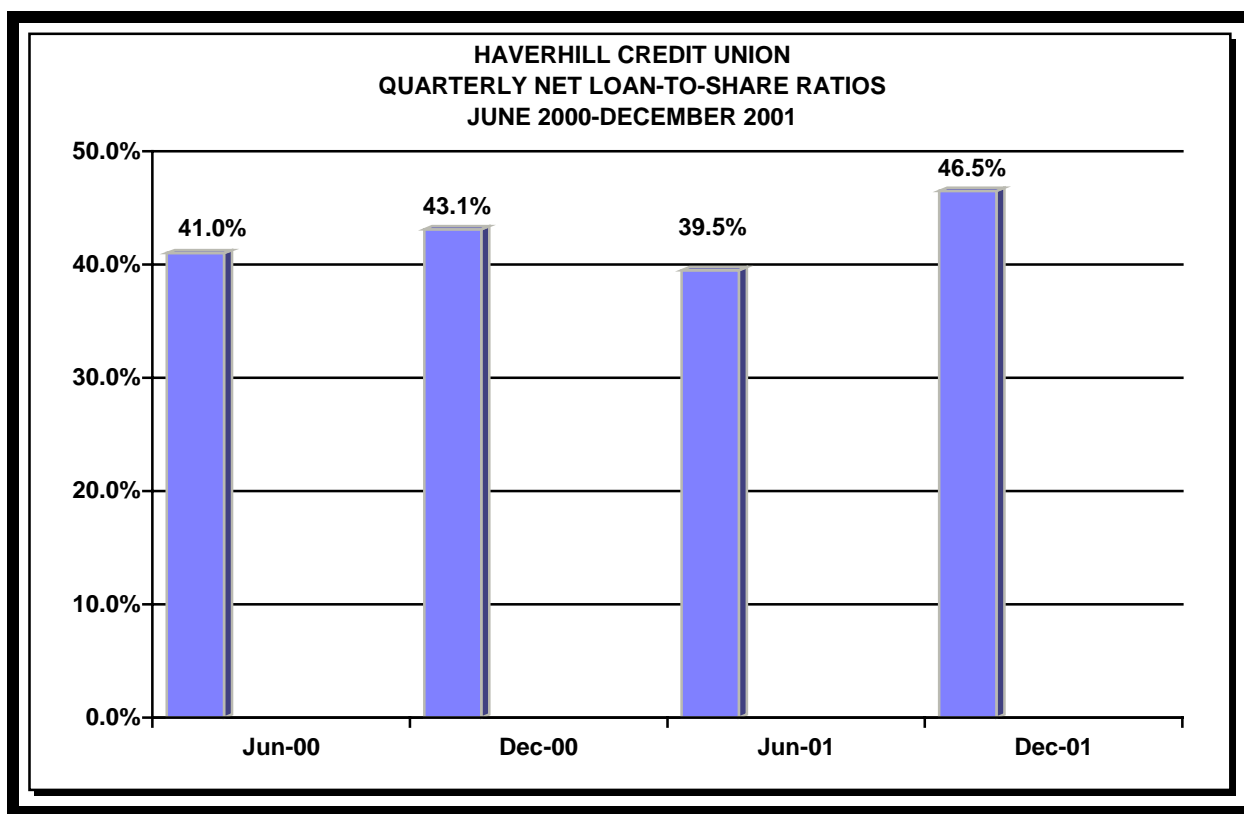
PERFORMANCE CRITERIA

1. LOAN TO DEPOSIT (SHARE) ANALYSIS

An analysis of Haverhill Credit Union's net loan to deposit (share) ratio was performed during the examination. The calculation incorporated the latest four semi-annual periods utilizing the total net loan to total share figures from the NCUA 5300 reports. This review included the periods ending June 30, 2000, through December 31, 2001.

The institution's average net loan to share ratio during this period was determined to be 42.5 percent which is reasonable given the credit union's asset size, resources, competition, lending strategy and the credit needs of its assessment area.

The following graph illustrates the loan to share trends.



Source: NCUA Call Reports

The net loan-to-share ratio appears to be somewhat low but reasonable, given the credit union's scope of operation. Management has stated that the increases in both December periods for 2000 and 2001 are due to a traditional increase in borrowing during the holiday season. There appeared to be a significant volume in consumer borrowing during the period ending December 2001, which resulted in a higher number of loans and a higher loan to share ratio. Based on the above information and Haverhill Credit Union's capacity to lend, its asset size, and financial condition, the loan to share ratio meets the standards for satisfactory performance.

2. COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA(S)

Data regarding the credit union's residential mortgage lending activity for 2000 and 2001 was reviewed to determine the proportion of loans within the assessment area by number of originations and dollar amount. Mortgage lending data was obtained from the credit union's in-house files.

The credit union originated four mortgage loans totaling \$234,250 during the examination period. All loans were originated within the credit union's assessment area. The Town of

Haverhill accounted for 3 or 75.0 percent of the originations while the Town of Methuen accounted for 1 or 25.0 percent.

Consumer loans were also examined. In 2000, the credit union extended 8 loans totaling \$83,435. In 2001, 10 loans were granted, totaling \$135,817. These loans were all located within the assessment area.

Based on the above information the institution's level of lending within its assessment area meets the standards for satisfactory performance.

3. LENDING TO BORROWERS OF DIFFERENT INCOMES

An analysis of residential mortgage loans extended within the credit union's assessment area, among borrowers of various income levels was conducted. Originations were categorized by the ratio of the applicant's reported incomes to the 2000 and 2001 estimated median family incomes of the Lawrence Metropolitan Statistical Areas (MSAs). The median family income for the Lawrence MSA was \$60,800 for 2000 and \$64,100 for 2001. Income figures were based on estimated 2000 and 2001 data from the Department of Housing and Urban Development (HUD).

Low income is defined by the US Census Bureau as income below 50 percent of the median family income level for the MSA. Moderate income is defined as income between 50 to 79 percent of the median family income level. Middle income is defined as income between 80 and 119 percent of the median family income level. Upper income is defined as income greater than 120 percent of the median family income level.

Lending to borrowers of different income levels shows mortgage loans were evenly distributed among individuals of moderate and middle income.

An analysis was also performed of consumer loans extended within the credit union's assessment area. The analysis indicates that 38.9 percent of the credit union's consumer loans were granted to low-income borrowers and 27.8 percent were granted to moderate-income borrowers.

Refer to the following table for further information on the distribution of consumer loans.

Consumer Loans by Income of Borrower by Number

% OF MEDIAN MSA INCOME	2000		2001		TOTAL	
	#	%	#	%	#	%
<50%	3	37.5	4	40.0	7	38.9
50% - 79%	2	25.0	3	30.0	5	27.8
80% - 119%	3	37.5	2	20.0	5	27.8
120%>	0	0	1	10.0	1	5.5
TOTAL	8	100%	10	100%	18	100%

Source: In-house files

The credit union has shown a willingness to lend to members of low and moderate income. Given the credit union's asset size and limited resources the distribution of credit reflects a good dispersion among individuals of different income levels, including those of low and moderate-income. Therefore, the credit union meets the standards for satisfactory performance for this criterion.

4. GEOGRAPHIC DISTRIBUTION OF LOANS

Due to its size, Haverhill Credit Union is not required to report lending data under the Home Mortgage Disclosure Act (HMDA). Consequently, the credit union has not collected information pertaining to the geography of each loan, including Metropolitan Statistical Area, Town or Census Tract Information. Furthermore, similar data requirements are not applicable to consumer loans. Consequently, no geographic analysis was performed.

As indicated above, however, all mortgage loans were made within Haverhill or towns contiguous to Haverhill, as per the credit union by-laws.

5. REVIEW OF COMPLAINTS/ FAIR LENDING POLICIES AND PRACTICES

Haverhill Credit Union has not received any complaints related to its CRA performance since the previous examination. However, the credit union has procedures in place should any consumer complaints related to CRA be received.

FAIR LENDING POLICIES AND PRACTICES

The credit union's small size and limited resources limit its ability to meet the requirements of the Division's fair lending policy. The credit union's staff training is adequate. However, outreach, marketing, credit products and underwriting standards are directly affected by resources and limited product offerings. The institution has developed a second review process in which all loans considered for denial are referred to the Credit Committee by the loan officer prior to issuing a written notice of denial. Based on the foregoing information, the credit union meets the standards for satisfactory performance in this category.

THE COMMONWEALTH OF MASSACHUSETTS

To the COMMISSIONER OF BANKS:

THIS IS TO CERTIFY, that the report of examination of the

HAVERHILL CREDIT UNION

for compliance with applicable consumer and fair lending rules and regulations and the Community Reinvestment Act (CRA), as of the close of business **MARCH 19, 2002**, has been read to or by the undersigned and the matters referred to therein will have our immediate attention.

_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

A majority of the Board of Directors/Trustees

Dated at _____ this _____ day of _____ 20 ____

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (Address of Main Office)."

[Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that area shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.